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RHHMUNA/CDRUSPACOM HONOLULU HI IMMEDIATE
RUEKJCS/JOINT STAFF WASHINGTON DC IMMEDIATE
RUEKJCS/SECDEF WASHDC//OSD/ISA/AP// IMMEDIATE

UNCLAS SECTION 01 OF 02 MANILA 004218

SIPDIS

SENSITIVE
SIPDIS

STATE FOR PM, S/CT, INR/EAP, INR/B, AND EAP/MTS
USPACOM ALSO FOR FPA HUSO
SECDEF/OSD/ISA/AP (LAWLESS/TOOLAN/BAILEY)
JOINT STAFF/J5 (WILKES/ROBINSON/CLEMMONS)

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TAGS: [MOPS](#) [MCAP](#) [PREL](#) [PTER](#) [PINS](#) [PINR](#) [RP](#)

SUBJECT: DEFENSE SECRETARY CRUZ DISCUSSES STATE OF THE
MILITARY

REF: MANILA 3935

11. (U) SUMMARY: Secretary of National Defense Cruz in a major policy speech to the Manila Overseas Press Club stressed the seriousness of the domestic terrorist threat and the importance of Philippine Defense Reform. He said a successful counterterrorism effort had to also incorporate social and economic programs in order to "drain the pool" in which terrorists breed. Cruz stated that the threat of a military coup in the Philippines has greatly diminished, saying that the Armed Forces of the Philippines is more stable than it was five years ago. END SUMMARY.

12. (U) Secretary of National Defense Avelino Cruz in a September 21 speech to the Manila Overseas Press Club spoke about the Armed Forces of the Philippines' (AFP) role in combating terrorism, Philippine Defense Reform, and possible reverberations in the Philippines of the coup in Thailand. In the audience were senior military officials, including General Esperon, the newly-appointed AFP Chief of Staff.

Defeating the Terrorist Threat

13. (U) Secretary Cruz stressed the seriousness of the domestic terrorist threat. The ongoing AFP operation to capture or kill Abu Sayyaf Group and Jemaah Islamiyah leaders on the island of Jolo had uncovered a terrorist bomb-making factory, which indicated the influence of sophisticated foreign training and an obvious intention to inflict mass casualties in urban areas.

14. (U) Secretary Cruz stated that the Philippine government is working hard to win the peace, saying that a successful anti-terror strategy must "drain the pool of poverty in which terrorists breed." Secretary Cruz said he was encouraged by the decline in "threat group" membership over the last few years, but cautioned, "It's not a numbers game." He stated that the national government must "win communities to our side, by creating Christian and Muslim solidarity."

15. (U) Secretary Cruz said, in the absence of anti-terrorism legislation, the Philippine military is fighting the war on terror "with one arm tied behind its back," and called for the legislation's swift passage. He assured opponents of the bill that their rights are protected by the Philippine Bill of Rights and by provisions within the draft itself.

¶6. (U) International cooperation is major component of Secretary Cruz's anti-terror strategy. He called for

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adoption of an anti-terror convention by the Association of South East Asian Nations, and said cooperation with Malaysia and Indonesia on control of the seas and intelligence sharing is imperative. He viewed the United States as the Philippines' principal treaty partner, and considered the pending Visiting Forces Agreement with Australia as a valuable addition to his country's security relationships.

Making Philippine Defense Reform Irreversible

¶7. (U) Secretary Cruz stated that he is seeking to make the gains achieved by Philippine Defense Reform irreversible. He explained in detail the Capability Upgrade Plan (CUP) and its 18-year time line for upgrading the AFP. The first 10 years focus on getting the right equipment for internal security operations. The first six blocks of the CUP program budgeted at 32 billion pesos (approximately \$642 million) would equip 72 Army and 12 Marine battalions to improve their counterterrorism/counterinsurgency capabilities. Subsequent stages of CUP would be devoted to external defense.

No Repeat of Thai Coup in the Philippines

¶8. (U) The Q&A session was largely devoted to the September 19 Thai coup and whether the AFP would be emboldened to take similar action. Secretary Cruz stated that the threat of adventurism in the Philippine military had been "greatly

MANILA 00004218 002 OF 002

diminished" and that the "AFP is more stable than it was five years ago." He expressed confidence in General Esperon, the AFP Chief of Staff, saying "Esperon has a very sharp mind with a passion for reform," and calling him a "poster boy for no coups in the Philippines." When asked to comment, General Esperon stated that "a coup is a step away from political progress and economic development."

¶9. (SBU) Comment. Coupled with General Esperon's speech to the Overseas Press Club a week earlier (reftel), Cruz's remarks indicate a clear effort by the Philippine defense establishment to present a united front on three main issues: counterterrorism, defense reform, and military subordination to civilian control. Cruz and Esperon appear to have developed a close working relationship, which bodes well for progress in all three areas.

KENNEY